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Agenda items 36 and 160

Security Council
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The situation in the Middle East

Measures to eliminate international terrorism

Letter dated 27 September 2002 from the Permanent Representative of Israel to the United Nations addressed to the Secretary-General

I am writing to draw your attention to the latest incidents in the Palestinian campaign of terrorism against the citizens of Israel.

Yesterday evening, at approximately 8 p.m. (local time), Palestinian terrorists fired at an Israeli vehicle near Beit Hagai, wounding Orit Ketz and her three children. Ketz's 6-week-old daughter was wounded in the head by shrapnel, and her 14-year-old daughter and 3-year-old son were lightly wounded. All were evacuated to a hospital in Jerusalem.

On Wednesday evening, Palestinian terrorists fired Kassam-3 rockets from Gaza at the southern Israeli town of Sderot. One rocket slammed into a factory, injuring four workers. Another landed in the courtyard of a residential building.

Meanwhile, efforts by Israeli security forces successfully prevented a number of attempted terrorist attacks. Early yesterday morning, Israeli troops prevented two Palestinian terrorists from infiltrating the community of Alei Sinai. The terrorists were found to be in possession of an assault rifle, ammunition and several hand grenades. Also yesterday, security forces discovered a suspicious vehicle that contained dozens of kilograms of explosives hidden in gas canisters. The explosives were rigged to a cellular phone for the purpose of detonating the charges from a remote location. Israeli police sappers successfully defused the explosives.

Israel holds the Palestinian Authority fully responsible for the ongoing efforts by Palestinian terrorist groups to attack Israeli civilians. The Palestinian Authority remains steadfast in its refusal to take even the most minimal steps to fulfil its signed commitments, its obligations under international law and the resolutions of the Security Council to prevent acts of terror emanating from the territories under its jurisdiction.

Meanwhile, the Permanent Observer of Palestine, in his letter dated 26 September 2002 (A/ES-10/196-S/2002/1083), continues to distort the meaning and

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intent of Security Council resolutions in his campaign to malign the Government of Israel. It must be stressed that recently adopted resolution 1435 (2002) placed reciprocal obligations on both Israel and the Palestinian Authority, requiring the latter to cease all acts of violence, terror and incitement and to ensure that those responsible for acts of terror are brought to justice. Even though the resolution clearly makes demands upon both sides, the Permanent Observer of Palestine, as is his custom, prefers to pick and choose among the operative paragraphs that are to his liking, while ignoring those that make demands upon the Palestinian leadership. To accuse Israel of defiance of the Security Council, while it is so manifestly obvious each day that no action has been forthcoming from the Palestinian leadership, is completely disingenuous and entirely unfounded.

Israel calls again upon the Palestinian leadership to fulfil its obligations, to arrest terrorist leaders and bring them to justice, to end incitement in the official media and to end all financial, logistical and moral support for acts of terrorism, in accordance with its signed commitments and the resolutions of the Security Council, in particular resolution 1373 (2001).

I submit this letter in follow-up to numerous letters detailing the campaign of Palestinian terrorism that began in September 2000.

I should be grateful if you would arrange to have the text of the present letter circulated as a document of the fifty-seventh session of the General Assembly, under agenda items 36 and 160, and of the Security Council.

(*Signed*) Yehuda **Lancry**
Permanent Representative

United Nations A/57/439

General Assembly

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30 September 2002

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Fifty seventh session
Agenda item 110
Financial reports and audited financial statements, and reports of the Board of Auditors

Financial reports and audited financial statements and reports of the Board of Auditors for the period ended 31 December 2001

Report of the Advisory Committee on Administrative and Budgetary Questions

1. In accordance with regulation 12.11 of the Financial Regulations and Rules of the United Nations, the Advisory Committee on Administrative and Budgetary Questions received the financial reports, audited financial statements and reports of the Board of Auditors to the General Assembly for the following entities for the biennium ended 31 December 2001: the United Nations,[1] the International Trade Centre UNCTAD/WTO,[2] the United Nations University (UNU),[3] the United Nations Development Programme (UNDP),[4] the United Nations Children's Fund (UNICEF),[5] the United Nations Relief and Works Agency for Palestine Refugees in the Near East,[6] the United Nations Institute for Training and Research (UNITAR),[7] the Fund of the United Nations Environment Programme,[8] the United Nations Population Fund (UNFPA),[9] the United Nations Habitat and Human Settlements Foundation,[10] the Fund of the United Nations International Drug Control Programme (UNDCP),[11] the United Nations Office for Project Services (UNOPS),[12] the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994[13] and the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991.[14] In addition, the Committee had before it the report on the accounts of the voluntary funds administered by the United Nations High Commissioner for Refugees (UNHCR) for the year ended 31 December 2001.[15] The financial reports, audited financial statements and report of the Board of Auditors on the United Nations peacekeeping operations for the period from 1 July 2001 to 30 June 2002[16] will be considered by the Committee at its session in February and March 2003. The audited accounts of the World Food Programme for the biennium 2000-2001, which are not covered by the Board of Auditors, are currently under consideration by the Committee. Its comments and observations will be communicated to the Executive Board of the Programme through its Executive Director.

2. The Advisory Committee's observations and comments on the report of the Board of Auditors on the United Nations Joint Staff Pension Fund for the biennium ended 31 December 2001[17] will be submitted

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separately to the General Assembly at its fifty-seventh session in a report that will include the Committee's recommendations on the report of the United Nations Joint Staff Pension Board.[18]

3. The Advisory Committee had advance copies of the concise summary of principal findings, conclusions and recommendations contained in the reports prepared by the Board of Auditors for the General Assembly at its fifty-seventh session (A/57/201), as well as the reports of the Secretary-General on the implementation of the recommendations of the Board of Auditors by the United Nations and the United Nations funds and programmes for the financial period ended 31 December 2001 (A/57/416 and Add.1).

4. During its consideration of the reports, the Advisory Committee met with the members of the Audit Operations Committee, as well as with the Controller and other representatives of the Secretary-General, who provided additional information and clarification.

5. In the paragraphs below, the Advisory Committee highlights a number of key issues.

6. At the time the Advisory Committee began consideration of the reports, only five of the reports of the Board of Auditors had been published in all official languages. The timing of the publication of the reports has been a matter of concern to the Committee for many years. In this connection, the Committee recalls paragraph 6 of its report of 16 October 2000 (A/55/487), in which it stated its view that:

> "reports of the Board and the related report of the Committee should be published in all official languages early in the regular session of the General Assembly. Reports of the Secretary-General on implementation should be submitted in time for the Advisory Committee to take them into account when it considers reports of the Board of Auditors. The timely submission of all documentation concerning reports of the Board of Auditors will also allow the Advisory Committee to exchange views with representatives of the audited administration before it submits its final comments and recommendations to the General Assembly."

In paragraph 5 of its resolution 55/220 of 23 December 2000, the General Assembly requested the Secretary-General and the executive heads of the funds and programmes to present their financial statements on time so that the Board could audit them and submit its reports to the Assembly in accordance with the six-week rule.

7. The Advisory Committee was informed that the Secretariat had received the reports of the Board for processing, including the summary report, on 1 and 2 July 2002. The Committee was further informed that the final report would be published in the beginning of October, with the item scheduled for consideration by the Fifth Committee beginning on 16 October. The Committee points out that such a schedule takes no account of the need to have the reports available for the Committee's consideration prior to their consideration by the General Assembly. Upon enquiry as to the reasons for the delay, the Committee was informed that the Department of General Assembly Affairs and Conference Services had received approximately 1,800 pages for processing all at one time and that it lacked the capacity to comply with the requirements of the six-week rule stipulated in paragraph 5 of Assembly resolution 55/220.

8. **The Advisory Committee is not persuaded by the arguments put forth by the representatives of the Secretary-General. The reports of the Board of Auditors are not an unexpected part of the workload of the Department of General Assembly Affairs and Conference Services, and it is the opinion of the Committee that with more innovative thinking and better communication and planning, solutions to the problem could be found. The external audit reports are important tools made available to Member States to evaluate, among other things, performance, accountability for internal controls and the use of resources in accordance with the purposes for which they have been authorized. The Committee therefore underscores the importance of the timely receipt of the reports of the Board of Auditors and recommends that, in the context of efforts to improve the performance of the Department, measures be taken to ensure timely publication of the reports of the Board.**

9. Reports on the status of implementation of recommendations of the Board for the biennium 1998-1999 are found in the annex to each of the reports of the Board and in summary form in annex II to the concise summary (A/57/201). **The Advisory Committee welcomes the structural improvements**

made by the Board in the presentation of the annexes to each of its reports, and requests it to strive for further improvements.

10. The reports of the Secretary-General on the implementation of the recommendations of the Board (A/57/416 and Add.1) provide information on action taken or to be taken by the audited administrations pursuant to recommendations in the reports of the Board for the financial period ended 31 December 2001. Further information on implementation of the recommendations of the Board, as well as of other oversight bodies, the Advisory Committee and the Committee for Programme and Coordination, is included in the reports of the Secretary-General on the proposed programme budget and on peacekeeping financing.

11. The reports of the Secretary-General on implementation of the recommendations of the Board of Auditors by the United Nations and the funds and programmes of the United Nations (A/57/416 and Add.1) are an essential tool for holding administrations accountable for complying with recommendations of the Board as endorsed by the General Assembly. **Accordingly, the Advisory Committee requests that those reports be published in a timely manner, taking into account the observations set out in paragraphs 6 to 8 above. The Committee also recommends that the reports be streamlined to exclude action or intentions previously communicated to the Board that have already been included in reports submitted to the Assembly.**

12. The Advisory Committee recalls the comment it made in paragraph 2 of its report of 5 April 2001 (A/55/878) on the report of the Board of Auditors on the peacekeeping operations for the 12-month period ended 30 June 2000[19] concerning the need for the Administration to provide information on progress achieved in implementing the recommendations of the Board, as well as the results and changes produced by implementing those recommendations or by the corrective measures taken in response. The Committee also recalls paragraph 14 of its report of 16 October 2000 (A/55/487) in which it encouraged organizations to continue to develop and improve performance measurement standards that could facilitate the task of the audit in assessing programme performance and achievement objectives and mandates. **The Committee recommends that these procedures be extended to all audit reports. In this connection, the Committee welcomes the information provided by members of the Audit Operations Committee that it would establish criteria to evaluate results of the Board's implementation.**

13. The Advisory Committee was informed that across-the-board reductions made by the General Assembly to the regular budget for the biennium 2002-2003 had effectively reduced the resources of the Board by approximately $316,300. The Committee was further informed that in some audits, such as, for example, those of the legal aid system in the two Tribunals and of information technology, the Board, of necessity, had recourse to specialized outside expertise. **In view of this phenomenon and of the continuing requests for the Board to carry out special audits, the Committee will examine, in the context of its consideration of the proposed programme budget for the biennium 2004-2005, the adequacy of the audit fee, as it affects the scope of coverage and the quality of the audits. To this end, the Committee requests the Board to submit to it comprehensive information on total audit expenditure for the four bienniums from 1996 to 2003, as well as on audit expenditure for the peacekeeping operations. Information should also be supplied concerning the extent to which expenditures of the members of the Board are or have been subsidized by their national institutions.**

14. The Advisory Committee was informed that the Board was considering a diagnostic review of training in the United Nations and its funds and programmes. The Committee welcomes this development.

15. The Advisory Committee notes that the Board modified the audit reports of UNDP,[20] UNHCR,[21] UNFPA,[22] UNDCP[23] and UNOPS[24] (see also A/57/201, paras. 4-7). In response to its request for clarification of this issue, the Committee was provided with an explanatory note (see annex).

United Nations

16. The Advisory Committee notes from paragraph 14 of the report of the Board of Auditors[25] that the total income given for the United Nations for the biennium 2000-2001 of $12.95 billion includes $8.34 billion (64 per cent) for the United Nations Compensation Commission (UNCC). **The Committee is of the opinion that combining the income and expenditure of UNCC with that of the United Nations distorts**

the financial position of the United Nations. The Committee therefore recommends that the financial statements and schedules of UNCC be prepared separately and be reported on by the Board for consideration by the Governing Council of UNCC. The Committee was informed that UNCC bears the cost of its audit.

17. In paragraphs 21 to 23 of the report, the Board expressed concern about the increasing number of financial statements and schedules. The Advisory Committee, upon enquiry, was informed by the representatives of the Secretary-General that measures to streamline the financial statements and schedules had been decided upon, but that the Secretariat was awaiting completion of similar exercises in the funds and programmes before implementation. **The Committee recommends that the streamlining of the United Nations financial statements and the schedules thereto be implemented in time for the Board to audit the revised statements and schedules for the biennium 2004-2005.**

18. **The Advisory Committee notes with concern the information provided in paragraphs 195-197 of the report under special political missions with regard to field air operations. This is an area of particular interest to the Committee. The Committee intends to follow up on this matter during its own consideration of the report of the Board on peacekeeping operations, as well as during its consideration of the financing of the individual peacekeeping operations at its session in February and March 2003.**

19. **The asset management and control system is discussed in paragraphs 198 to 201 of the report of the Board. The Advisory Committee expresses its concern about deficiencies in control and emphasizes the need to implement the field assets control system secretariat-wide.**

20. **Implementation of the comments and recommendations of the Board concerning the Department of General Assembly Affairs and Conference Services (see paras. 276-285 of the report) should be reported on in the context of the implementation of such proposals contained in the report of the Secretary-General on improving the performance of the Department (A/57/289) as may be approved by the General Assembly. The Committee intends to submit its recommendations on that report to the Assembly at its current session.**

International Tribunals

21. The Advisory Committee commends and welcomes the Board's findings and recommendations on the legal aid system of the two Tribunals. In particular, the Committee notes the Board's recommendations with regard to the formulation of definitions for "indigence" and "sufficient means", the establishment of clear criteria for eligibility or partial eligibility for legal aid and the development of a formula to determine the contributions to be made by the persons who qualify for partial legal aid. The Committee also notes the recommendations of the Board with regard to verifying the financial positions of the accused. **The Committee requests the Board to follow up on the results of the implementation of its recommendations.**

22. The Advisory Committee notes that the two Tribunals have accepted the bulk of the recommendations and that some recommendations have already been implemented. **The Committee recommends that the two Tribunals exchange experience and lessons learned from the procedures they have established to manage and control the legal aid system. In this connection, the Committee requests the Tribunals to re-examine the thresholds of $360,000 for the International Tribunal for the Former Yugoslavia, as set out in paragraph 51 of the report of the Board of Auditors[26] and $740,214 for the International Tribunal for Rwanda (A/57/416/Add. 1, para. 669).** These are the thresholds below which the Tribunals would regard a person as indigent, or without sufficient means, and therefore qualified for legal aid up to those amounts. In the case of the International Tribunal for the Former Yugoslavia, the threshold was based on a 12-month ceiling on legal aid defence fees (see paras. 50 and 51 of the report[26]). In the case of the International Tribunal for Rwanda, it was based on the defence costs of nine cases already completed, with the average cost for each trial amounting to $740,214.[27] **The re-examination should take into account the views of the Board on the factors, including the methodology, to be considered in determining the financial position of a person (see para. 47 of the report[28]).**

23. The Advisory Committee acknowledges that the two Tribunals lack effective capacity to fully investigate claims of indigence by detainees (see para. 53 of the Board of Auditors report[28]). It is also of the view that a thorough and exhaustive investigation might be expensive and take a long time to complete, leading perhaps to unacceptable delays, especially given that cooperation by all concerned is often lacking. **The Committee recommends that, if it is considered useful, the two Tribunals have recourse to outside expertise, with a view to setting appropriate simple and practical criteria and guidelines on the matter. The results of this exercise should be reported in the context of the next budget submission.**

24. The Advisory Committee welcomes the comments and recommendations of the Board on the questions of documentation and language services.[29] The Committee had the opportunity to exchange views with the representatives of the two Tribunals when it visited The Hague and Arusha and was able to **appreciate the seriousness of this matter. The Committee expresses concern about the apparent lack of overall guidelines on the matter of translating trial-related documents. The Committee therefore fully concurs with the Board's recommendation on the need for the Tribunals to re-examine their translation policies so as to become more selective, subject to the role and authority of the judges and the need to respect and protect the rights of the accused. The Committee intends to follow up on this subject, as well as the question of completion strategies, when it examines the budgets of the two Tribunals.**

Funds and programmes

25. **The Advisory Committee commends the Board for the audit it performed on programme implementation by implementing partners, particularly in funds and programmes of the United Nations, and on the related issues of accountability and control of resources. As indicated above, the Board modified its opinion on five organizations of the system (UNOPS, UNDP, UNFPA, UNHCR and UNDCP; see A/57/201, paras. 4-7). The Committee requests the Board to report in the context of the next audit what progress has been achieved in resolving the specific matters of concern that led to the modification of its opinion on those five organizations. There is a need to ensure that resources are used optimally and that the cost of programme implementation is minimized, especially in view of what the Committee has perceived to be the precarious financial situation of those organizations. The Committee also intends to follow up on the recommendations of the Board with respect to the accounts of funds and programmes in the context of its review of the support budgets of those organizations for the biennium 2004-2005.**

26. With respect to UNICEF, the Advisory Committee notes from paragraphs 97 and 105 of the Board's report[30] that the Board again reviewed the accounting treatment of UNICEF cash assistance to Governments following the Fund's revision of its financial regulations to align them with its practice of accounting for cash assistance as final programme expenditure (see also A/57/201, para. 50). Of the $368 million disbursed in 2000-2001 as cash assistance to Governments (or 19 per cent of all programme expenditure), the Board at the time of the audit was unable to obtain assurance as to the proper utiiization of $181 million of expenditure. The Board recommended that UNICEF take the opportunity of the triennial comprehensive policy review to reconsider its policy. **In this connection, the Committee had difficulties reconciling the information included in paragraphs 50 to 54 of the report of the Executive Director of UNICEF on cash assistance to Governments (E/ICEF/2002/AB/L.5) with the Board's findings. The Committee requests the Board to follow up on this matter during the next audit to ascertain whether the many weaknesses it identified in paragraphs 96 to 134 of its report on UNICEF have been fully resolved to its satisfaction.**

27. The Board modified its opinion on UNOPS in view of the financial position of the Office and its ability to fund in full any deficit from the operational reserve (see Summary, para. (a), of the report of the Board.[24] The Board points out, inter alia, that UNOPS may not cover all its proposed administrative expenditure budget with the projected level of income. **This is a matter of serious concern to the Advisory Committee, which has recently submitted its report on the revised UNOPS budget for 2002-2003 to the Executive Board of UNDP and UNFPA. If it is the wish of the Member States that UNOPS continue as a separate and identifiable entity that provides services to organizations of the United Nations**

system for the management and delivery of programmes and projects, it is incumbent upon the Secretary-General to take steps to ensure the viability and success of UNOPS.

Notes

[1] *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 5* (A/57/5), vol. I.

[2] Ibid., vol. III.

[3] Ibid., vol. IV.

[4] Ibid., *Supplement No. 5A* (A/57/5/Add.1).

[5] Ibid., *Supplement No. 5B* (A/57/5/Add.2).

[6] Ibid., *Supplement No. 5C* (A/57/5/Add.3).

[7] Ibid., *Supplement No. 5D* (A/57/5/Add.4).

[8] Ibid., *Supplement No. 5F* (A/57/5/Add.6).

[9] Ibid., *Supplement No. 5G* (A/57/5/Add.7).

[10] Ibid., *Supplement No. 5H* (A/57/5/Add.8).

[11] Ibid., *Supplement No. 5I* (A/57/5/Add.9).

[12] Ibid., *Supplement No. 5J* (A/57/5/Add.10).

[13] Ibid., *Supplement No. 5K* and corrigendum (A/57/5/Add.11 and Corr.1).

[14] Ibid., *Supplement No. 5L* (A/57/5/Add.12).

[15] Ibid., *Supplement No. 5E* (A/57/5/Add.5).

[16] Ibid., *Supplement No. 5E* (A/57/5/Add.2).

[16] To be issued as *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 5* (A/57/5), vol. II.

[17] *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 9* (A/57/9), annex XII.

[18] Ibid., *Supplement No. 9* (A/57/9).

[18] Ibid., *Fifty-fifth Session, Supplement No. 5* (A/55/5), vol. II, chap. II.

[20] Ibid., *Fifty-seventh Session, Supplement No. 5A* (A/57/5/Add.1), chap. II.

[21] Ibid., *Supplement No. 5E* (A/57/5/Add.5), chap. II.

[22] Ibid., *Supplement No. 5G* (A/57/5/Add.7), chap. II.

[23] Ibid., *Supplement No. 5I* (A/57/5/Add.9), chap. II.

[24] Ibid., *Supplement No. 5J* (A/57/5/Add.10), chap. II.

[25] Ibid., *Supplement No. 5* (A/57/5), vol. I, chap. II.

[26] Ibid., *Supplement No. 5L* (A/57/5/Add.12), chap. II.

[27] The Committee was informed that the International Tribunal for Rwanda had not yet established a scale for determining the amount of legal aid to be given to an indigent accused whose assets fall below the threshold of $740,214 but are above $10,000. It was also informed that the Tribunal was in the process of negotiating with several Member States for assistance in the engagement of short-term consultants to look into the question of the threshold for indigence, to develop a formula under which the Tribunal would be able to determine the contributions to be made by an accused person who partially qualifies for legal aid and to examine the whole payment scheme under the Tribunal's legal aid programme, with a view to coming up with a comprehensive system of payment that is efficient, predictable and easier to budget for and to justify.

[28] *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 5K* and corrigendum (A/57/5/Add.11 and Corr.1), chap. II.

[29] Ibid., *Supplement No. 5K* (A/57/5/Add.11 and Corr.1), chap. II, paras. 75-77, and *Supplement No. 5L* (A/57/5/Add.12), chap. II, paras. 74-78.

[30] Ibid., *Supplement No. 5B* (A/57/5/Add.2), chap. II.

Annex

Explanatory notes provided by the Audit Operations Committee on the different types of audit opinions[a]

In the United Nations context, the Board of Auditors reports include two sections: the long-form audit report (usually chapter II), which provides details on particular areas of concern or significance and the short-form audit report, which provides the audit opinion (usually chapter III in the Board's published reports). The present note focuses only on the short-form audit report.

The Board of Auditors complies with the United Nations common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency (Panel). These standards include a prescribed format for the short-form audit report, providing an opinion on the financial statements and an opinion on compliance with legislative authorities. The United Nations common auditing standards are also based on and supplemented by the International Standards on Auditing (ISA).

An opinion is not required on performance aspects, that is, that funds have been utilized effectively, efficiently and economically, although the Board regularly comments on these matters in the long-form audit report.

The opinion paragraph of the auditors' reports clearly indicates the financial reporting framework used to prepare the financial statements and states the auditors' opinion as to whether the financial statements give a true and fair view (or are presented fairly in all material respects) in accordance with that financial reporting framework and, where appropriate, whether the financial statements comply with statutory and legislative requirements.

According to ISA 700, the auditor can issue audit reports falling into two generic categories, namely, modified and unmodified. An unmodified report is provided when the auditor concludes that the financial statements give a clear or true view (or are fairly presented, in all material respects) in accordance with the identified reporting framework. The audit opinion is therefore unqualified.

An auditor's report is considered modified in the following situations:

1. Matters that *do not* affect the auditors' opinion: "emphasis of matter" paragraph to highlight a matter;

2. Matters that *do* affect the auditors' opinion:

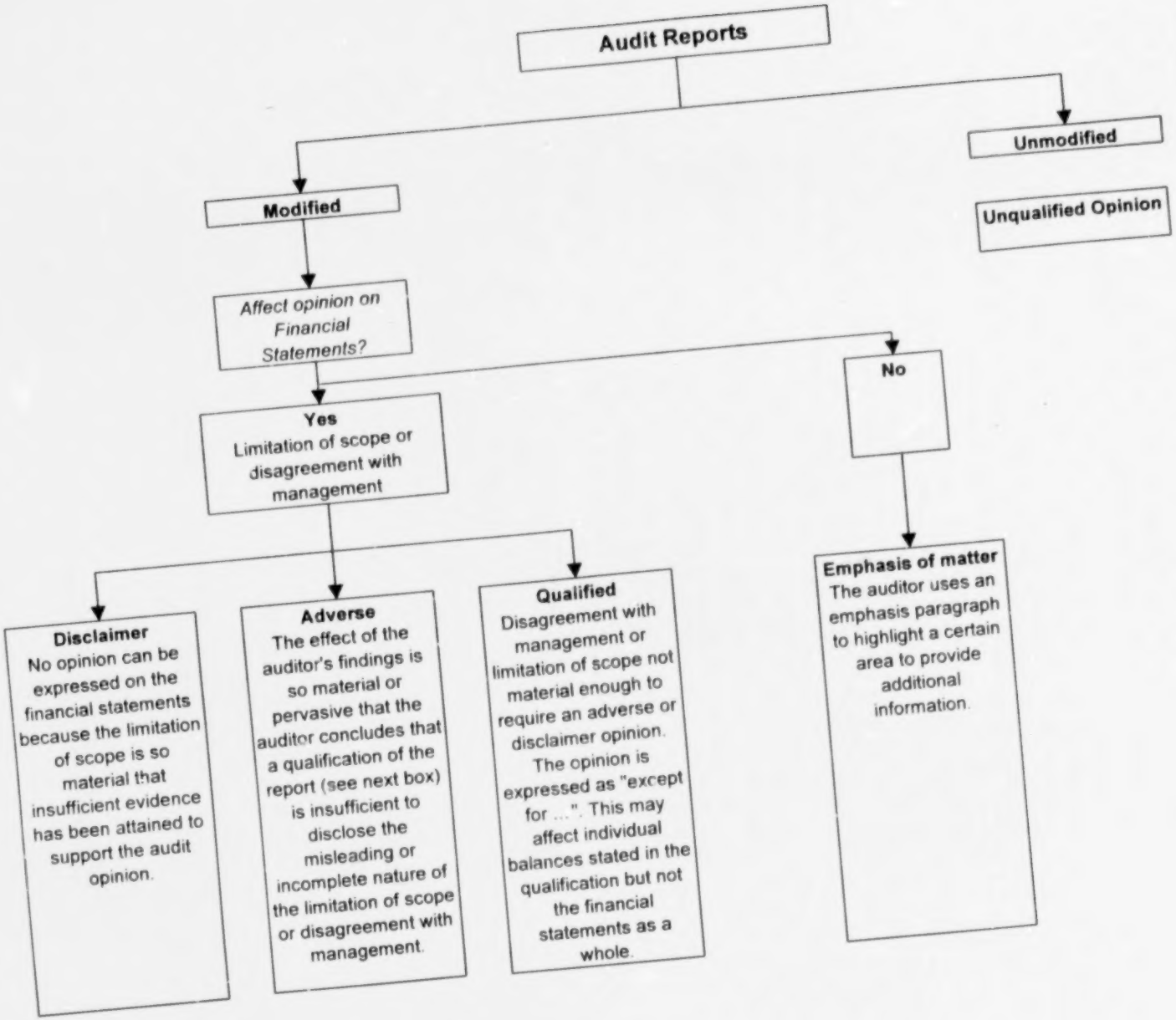
   (a) Qualified opinion ("except for");

   (b) Disclaimer of opinion; or

   (c) Adverse opinion.

The explanations of these different types of opinions are summarized in the following schematic presentation.

[a] As requested by the Advisory Committee on Administrative and Budgetary Questions on 16 September 2002.


Audit Reports
Unmodified
Unqualified Opinion
Modified
Affect opinion on Financial Statements?
No
Emphasis of matter
The auditor uses an emphasis paragraph to highlight a certain area to provide additional information.
Yes
Limitation of scope or disagreement with management
Disclaimer
No opinion can be expressed on the financial statements because the limitation of scope is so material that insufficient evidence has been attained to support the audit opinion.
Adverse
The effect of the auditor's findings is so material or pervasive that the auditor concludes that a qualification of the report (see next box) is insufficient to disclose the misleading or incomplete nature of the limitation of scope or disagreement with management.
Qualified
Disagreement with management or limitation of scope not material enough to require an adverse or disclaimer opinion. The opinion is expressed as "except for ...". This may affect individual balances stated in the qualification but not the financial statements as a whole.

Illustrative example of impact on audit reports

Scenario: An organization advances funds to its implementing partners (could be Government, non-governmental organizations or other agencies), although it still remains accountable for such funds. The accounting practice is to raise a receivable when an advance is given and to clear those receivables to expenditure on receipt of documentation confirming spending of the funds. In addition, the organization also requires the implementing partners to have the utilization of the funds audited and for the subsequent audit certificates to be submitted to the organization's headquarters.

(a) In analysing the above scenario, only the advance and expenditure accounts directly affect the financial statements. Accordingly, only those controls and procedures that may influence the accuracy and completeness of such account balances will impact on the external auditor's opinion on the financial statements. The audit certificates received from the implementing partners would only affect the external auditors' comments on the performance of the funds, that is, the utilization of the funds for the purpose for which it was intended (the external auditor is not specifically required to express an opinion on performance).

(b) If the external auditors found material errors or misstatements with the receivable and expenditure balances, they would issue a modified report expressing a qualified or adverse opinion on the financial statements. (i) If the errors were significant, but not material or pervasive in the context of the entire preparation and presentation of the financial statements, the opinion would be qualified ("except for"). (ii) However, if the errors or misstatements were so material or pervasive that they impacted on the fair presentation of the entire financial statements, the auditor would express an adverse opinion. (iii) In the case of limitation of scope on the work of the auditor, for example, a restriction of access to documentation, the auditor would express a "disclaimer of opinion".

In instances where the auditor wishes to highlight a certain area of concern or significance or to provide additional information, the audit report could be modified to include an emphasis of matter paragraph following the opinion on the financial statements. The information contained in this paragraph does not directly affect the auditors' opinion on the financial statements. Using our example, the concerns on the performance of the funds expended by implementing partners as well as the audit certificates supporting conclusions in this regard could be highlighted in such an "emphasis of matter" paragraph.

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Agenda item 117
Scale of assessments for the apportionment of the expenses of the United Nations

Letter dated 27 September 2002 from the Secretary-General to the President of the General Assembly

1. At present 14 Member States are in arrears under the terms of Article 19 of the Charter of the United Nations, which states as follows:

> "A Member of the United Nations which is in arrears in the payment of its financial contributions to the Organization shall have no vote in the General Assembly if the amount of its arrears equals or exceeds the amount of the contributions due from it for the preceding two full years. The General Assembly may, nevertheless, permit such a Member to vote if it is satisfied that the failure to pay is due to conditions beyond the control of the Member."

2. The minimum payments necessary to reduce the amounts owed by those Member States on their contributions so that they remain below the gross amount assessed for the preceding two full years (2000 and 2001) are as follows (in United States dollars):

Member State	*Minimum payment*
Burundi	46 238.00[a]
Central African Republic	297 002.00
Comoros	720 638.00[a]
Georgia	6 728 057.00[a]
Guinea-Bissau	435 838.00[a]
Iraq	12 300 858.00
Kyrgyzstan	201 909.00
Liberia	1 066 565.00
Niger	326 683.00
Republic of Moldova	2 425 258.00[a]
Sao Tome and Principe	566 238.00[a]

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Member State	*Minimum payment*
Somalia	967 538.00[a]
Tajikistan	1 788 612.06[a]
Vanuatu	5 938.00

[a] By its resolution 57/4 of 27 September 2002, the General Assembly decided that Comoros, Georgia, Guinea-Bissau, the Republic of Moldova, Sao Tome and Principe, Somalia and Tajikistan would be permitted to vote in the Assembly until 30 June 2003, and that Burundi would be permitted to vote in the Assembly until the next substantive session of the Committee on Contributions, scheduled to be held from 2 June 2003.

(*Signed*) Kofi **Annan**
Secretary-General

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Agenda item 117
Scale of assessments for the apportionment of the expenses of the United Nations

Letter dated 2 October 2002 from the Secretary-General to the President of the General Assembly

Further to my letter dated 27 September 2002 (A/57/440), I have the honour to inform you that Vanuatu has made the necessary payment to reduce its arrears below the amount specified in Article 19 of the Charter of the United Nations.

(*Signed*) Kofi **Annan**
Secretary-General

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